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ABSTRACT

In order to compare how healthy and troubled corporations communicate with their shareholders, a study examined the narrative of the 1982 annual report of 50 of America's best-run corporations (as compiled by Thomas Peters and Robert Waterman for their book, "In Search of Excellence"). The focus was on the letter to the stockholders--the best-read section of an annual report. Close examination of the rhetorical language revealed the following categories of narrative theme: (1) blamers, who place the responsibility of the year on external factors; (2) equivocators, who are ambiguous in presenting themes; (3) futurists, who express optimism about the future; (4) inventors, who discover unique ways to present optimism; (5) satisfiers, who discuss fulfilled desires and expectations of the audience; and (6) vaunters, who boast of the achievement of the corporation. Results indicated that 66% of the annual reports had optimistic themes that could be considered less than candid: 32% were vaunters; 12% were equivocators; and 22% were blamers. However, many corporations were careful to select optimistic themes with a message that neither boasted nor shirked responsibility--4% were futurists, 12% were satisfiers, and 18% were inventors. In sum, the major themes in the letters revealed positive expectancies created by the language. Further, the corporations, troubled or healthy, were individualistic and communicated differently, even when their performance was similar. (Sixty-two references and five tables of data attached.) (ARH)

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THE RHETORIC OF THE ANNUAL REPORT: A COMPARISON OF HOW HEALTHY AND TROUBLED CORPORATIONS COMMUNICATE TO THEIR SHAREHOLDERS

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THE RHETORIC OF THE ANNUAL REPORT: A COMPARISON OF HOW HEALTHY AND TROUBLED CORPORATIONS COMMUNICATE TO THEIR SHAREHOLDERS

Scope. This paper focuses on one rhetorical aspect of the corporate annual report: the narrative. Certainly non-verbal aspects of the pictures and graphics as well as the style and arrangement contribute to the rhetoric of the report. They are not, however, within the scope of this endeavor.

Objects of Criticism. There are thousands of companies in the United States, many with annual reports. A decision had to be made about which ones were good for a rhetorical analysis. The choice, In Search of Excellence, Lessons from America's Best-Run Companies, became the source book of excellent corporations in 1982. It was the biggest nonfiction best-seller since Roots. In 1983 the book was number one nearly every week on the New York Times list.

In Search of Excellence was written in late 1982 by Thomas Peters and Robert Waterman, management consultants with McKinsey & Company. The corporations that Peters and Waterman studied in 1982 produced the annual reports that represented corporate thinking that year. Even though fourteen of the "excellent" companies highlighted by Peters and Waterman have declined in their performance according to

a feature story in Business Week ("Who's Excellent Now"), the list still provides representative subjects for 1982.

The total list of sixty-two in the book was reduced to fifty for this study for several reasons. Several of the companies were privately held and, therefore, did not have annual reports. Peters and Waterman had divided these companies into various market/product categories. Those categories with fewer than six companies were also dropped from the list because too few in a category made discursive analysis meaningless. This brought the list to fifty companies in these marketing/product segments:

High Technology,

Consumer Goods,

General Industrial, and

Service.

All the companies are listed in Table 1 by market segment. The parent companies were analyzed when Peters and Waterman studied the divisions, since divisions themselves do not have annual reports. The divisions and their parents are also indicated in Table 1.

In addition, in order to help determine the relative size of the healthy as well as the troubled corporations, two rankings were made of each of the companies within each category: Total Revenues and Operating Profits. The rankings in this study within each market/product grouping were made to determine the financial differences in the year of 1982. A point of reference could then be

made between the rhetoric of a troubled corporation in the lower third versus, for example, a healthy one in the middle or top third. These two financial rankings, grouped in thirds, are detailed in Tables 2 and 3. They are:

> Total Revenues (Table 2) is a category understood by all. In many companies "revenues" would be total sales. In service categories there are no sales so revenues become the total (before costs and expenses) dollars that are taken in, or the "top line." It shows the relative size of the company.
>
> Operating Profits (Table 3) was selected as a comparison because it represents the profits made from the principal business of the company regardless of the total revenues. It therefore shows how well the principal part of the business was managed. It would not include profits from the sale of property, stocks, divisions, etc. Operating profits are always shown as a percentage of revenues.

Table 1

Companies by Market Category

High Technology	General Industrial
Amdahl	Caterpillar
AT&T (Western Electric)	Dana
Data General	General Motors
Digital Equipment	Ingersoll-Rand
Emerson Electric	McDermott
General Electric	Minnesota Mining
Gould	
Hewlett-Packard	
IBM	
Intel	
Lockheed	
National Semiconductor	
NCR	
Raychem	
Rockwell International	**Service**
Schlumberger	
Texas Instruments	American Airlines
TRW	Delta Airlines
United Technologies	K Mart
Wang Laboratories	Marriott
Westinghouse	McDonald's
Xerox	Wal-Mart

Consumer Goods

Avon
Blue Bell
Bristol Myers
Cheesbrough-Pond's
Dart & Kraft (Tupperware)
Eastman Kodak
General Foods
Johnson & Johnson
Levi Strauss
Maytag
Pepsico (Frito-Lay)
Merck
Procter & Gamble
Polaroid
Revlon
Warner Communications (Atari)

Table 2

Total Revenues (In Billions)

High Technology Companies	
AT&T	$65.1
IBM	34.4
General Electric	26.5
United Technologies	13.6
Westinghouse	9.7
Xerox	8.5
Rockwell Intnl.	7.4
Schlumberger	6.3
Lockheed	5.6
TRW	5.1
Texas Instruments	4.3
Hewlett-Packard	4.3
Digital Equipment	3.9
NCR	3.5
Emerson Electric	3.5
Gould	1.6
Wang	1.2
National Semi,	1.1
Intel	.9
Data General	.8
Raychem	.5
Amdahl	.4

Consumer Goods Companies	
Procter & Gamble	$12.1
Kodak	10.8
Dart & Kraft	10.0
General Foods	8.4
Pepsico	7.5
Johnson & Johnson	5.8
Warner Commun.	4.0
Bristol Myers	3.6
Merck	3.1
Avon	3.0
Levi Strauss	2.6
Revlon	2.4
Cheesbrough-Pond's	1.6
Polaroid	1.3
Blue Bell	1.3
Maytag	.4

General Industrial Companies	
General Motors	$60.0
Minnesota Mining	6.6
Caterpillar	6.5
McDermott	4.8
Ingersoll Rand	2.8
Dana	2.4

Service Companies	
K-Mart	$16.8
American Airlines	4.2
Delta Airlines	3.6
McDonald's	2.8
Mariott	2.6
Wal-Mart	2.4

Table 3

Operating Profits

High Technology Companies	
Schlumberger	71.4%
AT&T	30.9
IBM	22.2
Hewlett-Packard	15.7
Emerson Electric	15.6
Digital Equipment	15.0
Wang Laboratories	11.3
NCR	11.1
Xerox	9.6
Raychem	9.2
General Electric	9.1
Rockwell International	8.5
Gould	8.2
TRW	6.6
Lockheed	6.0
United Technologies	5.5
Westinghouse	5.4
Texas Instruments	5.0
Data General	4.5
Intel	3.3
Amdahl	0
National Semiconductor	0

Consumer Goods Companies	
Merck	19.3%
Kodak	17.6
Bristol Myers	16.8
Maytag	15.6
Chesebrough-Pond's	14.0
Avon	13.1
Warner Communications	13.1
Procter & Gamble	11.6
Levi Strauss	10.4
Revlon	9.8
Johnson & Johnson	8.2
Dart & Kraft	7.5
Pepsico	7.1
Blue Bell	6.2
General Foods	5.0
Polaroid	4.0

General Industrial Companies	
Minnesota Mining	15.2%
McDermott	8.5
Ingersoll Rand	5.9
Dana	3.7
General Motors	1.6
Caterpillar	0

Service Companies	
McDonald's	19.5%
Mariott	9.7
Wal-Mart	6.2
K-Mart	2.5
American Airlines	4.2
Delta Airlines	0

The Rhetor. Care was taken in naming the rhetor in annual reports. Edwin Black, in an effort to dissuade rhetorical critics from treating discourse as objects, points up the two roles of the rhetor, that of (1) implied author, and (2) the second persona, or the implied auditor. The second persona is one that sits in judgment of the discourse (133). The definition of the rhetor in corporate annual reports becomes difficult. The writing of the report is usually an "all hands evolution." Certainly drafts of ideas as well as the pictorial images are discussed by managers all the way to the boardroom. Narrative is written and rewritten, pictures are ordered re-taken. Changes are made by many in the corporate hierarchy before the final version is finally approved, usually by the CEO, the person who actually signs the Letter to Shareholders. We can call the rhetor of the corporate annual report the author, the originator, the writer, the initiator, the composer, the creator, the producer, or what I have chosen: The Narrator, or the one who presents the annual report to the audience. Usually there is not one author, or creator, or producer, or writer, or initiator; there are many. They mold and form the corporate annual report by joining various parts developed by others. The corporate annual report is therefore constructed by a multi-personae and delivered by a narrator.

Importance. In order to study the communication of corporations in general, the most important vehicle in which corporations communicate with their shareholders was chosen for examination. Fortune magazine has recognized the importance of the annual report:

> In the aggregate, the U. S. output of annual reports is an impressive testimonial to the temper and spirit of American business. (Bryant 105)

This paper addresses how the narrator's language in the annual report serves the rhetorical purpose of the discourse. The analysis examines the language of the narrators as each attempts to achieve the apparent major rhetorical purpose of management, which is to communicate to the composite audience the best possible results of the past year and the most hopeful aspects of the next year; or simply to communicate optimism. The writer and other business people consider "management" as all executives collectively. They are considered as a class and as distinguished from labor. The term "management" refers to those executives who are responsible for the control and direction of the affairs of the business.

By studying this language, we can learn how the narrator attempts to accomplish the rhetorical purpose for management. It is common knowledge that the aim of the annual report is to provide information and to influence the readers, primarily the shareholders. Since shareholders hold the key to the future of the corporation, management's major explanation becomes the reflection of optimism in this annual message. The language of the annual report is a way that management can reflect optimism. This paper intends to show how the narrator presents optimism to achieve the rhetorical purpose intended by management and the presentational differences between companies with various elements of success for the year.

Letter to Shareholders. The discursive rhetoric of management in the corporate annual report is best represented in the Letter to Shareholders because every report has one, the CEO signs it, and it is the best read section of the total report. Since the content of the report differs from company to company, the presence of the Letter is the common thread in all reports. The attention given the Letter is considerable because it is ultimately attributed to the Chief Executive Officer.

Company Annual Reports by Thomas H. Sanders, a professor of accounting at Harvard, is a "how-to" book designed to help corporations with their annual reports. It is based on analysis of annual reports as well as questionnaires. Sanders advised his readers how to develop the "President's report" or what we now call the Letter to Shareholders:

> A good [President's] report is a work of creative imagination. It should show what is really going on in the company, the aims and ambitions of management, the problems encountered in realizing them, the factors making for success or failure, the achievements of the past, and the hopes for the future. The more these things can be presented as matters of human interest the better. But "human interest" means more than mere sentimental items. The basic interests of all its members are bound up in the success of the business as a whole. The total picture must be presented in the interpretative terms of the true artist. For those who know how to read them, the financial statements tell a vital part of this story. But the President's report should be a real story, and high-lighted with dramatic emphasis, but above all true and sounding true (39).

In 1971, Richard A. Lewis wrote the first comprehensive work on the conception and design of annual reports. He claimed that the annual report had outgrown its mere financial function and had become a "corporate communication of the first magnitude" (8). The letter to stockholders, Lewis claimed, is the best read section of an annual report:

> The Letter, signed by the company's top executive is the best read section of the annual report. To be effective, it should not bog down in complicated details. Rather it should hit the high points, telling what's important and why. The Letter should discuss bad news in a candid, straightforward manner. And, most important, the Letter---like a crystal ball---should give the reader a glimpse of the future, the direction of the company, the source of growth. The best read letters are brief, one or two pages, and include a photo of the man who signs the Letter (102).

The Optimism of the Letters. Study of Letters is insightful. By looking at the language in the general themes created by the particular theme of each Letter, one can assess the role of language in serving the optimistic rhetorical purpose of the reports. This way is not exhaustive, but represents clusters of words or themes that provide meaning to language.

Themes of the Letters. The dominant individual themes were then determined for each Letter by the writer. This was done by three readings of each of the fifty letters in stark computer format and then countless arranging, consolidating, and naming of the themes.

For example, this determination of the theme included writing the key words of possible themes, determining their

compatibility, eliminating those that were less dominant in the text, consolidating the key words with an overall theme for each letter and finally finding an actual sentence in the text that best embodies the theme. The themes were then grouped into categories by their similarities and named. Naming is a rhetorical technique that is a process of "ordering the world" and of focusing attention. We do not label single words or themes but the category of words and themes that appear to be similar. These names permit us to ignore the differences and to lump them into the groupings to which we can then respond in a rhetorical manner (Campbell, Rhetorical Act 254).

Theme Examination. Certainly, all the Letters discussed the financial results of the year, their operational highlights, board membership changes, and their personnel, usually in that order. In addition to these usual and required subjects on the financial results of the year, the themes emerged. Several themes were by design of the rhetor and were featured throughout the report, like Revlon's haircoloring theme. Other themes were not so easy to recognize. The writer determined the theme from the repetition in the discourse, like Polaroid's "building for the future." These themes were then grouped into categories. They are not exhaustive or mutually exclusive but emerged from the discourse as representative of the language of corporate annual reports. The categories, in alphabetical order are:

Blamers,

Equivocators,

Futurists,

Inventers,

Satisfiers, and

Vaunters

The narrators of the 1982 corporate annual reports delivered this variety of themes to their readers; some are considered positive and some negative in nature.

Blamers. Eleven narrators wanted to place the responsibility of the year on external factors, rather than on the management of the company. They showed their audience that the economy, the dollar, their industry or markets greatly contributed to the year's results rather than internal decisions were the cause...or the "blame."

The airlines were depressed in 1982; the narrators can be classified as "blamers." The narrator at Delta Airlines, with zero operating profits, claimed that:

> The depressed national economy, combined with increasingly intense competition among airlines, and the lingering disruptive effects of the air traffic controllers strike have caused the nation's airlines to suffer record financial losses (2-3).

Even though American Airlines (AMR) showed a modest 4.2% operating profit, its narrator blamed the U. S. Markets:

> A weak economy and the competitive excesses created by airline deregulation resulted in heavy downward pressures on fares in virtually every market in the United States (2-3).

Interestingly, General Motors, with the highest operating profits of all the industrial companies examined (15.2%), still blamed

industry for the poor year: "Industry deliveries of passenger cars and trucks declined for the third straight year" (2-3). Caterpillar Tractor was mid-range in profits, but its narrator blamed its various industries: "The worldwide economic malaise permeated every industry we serve, resulting in the worst business downturn in 50 years" (3-5). McDermott's worldwide markets were blamed for its modest operating profit of 4.8%: "Changes in world marketplaces that make it difficult for American industry to compete have been amplified by the recession" (1-2).

The poor economy and the strong dollar were blamed for the poor and modest results of several companies. Intel's narrator claimed that "business continues to be affected by the depressed world economy" (2-3). The narrator at Levi Strauss said that "adverse trends in general economy and retail environment..." but they had an operating profit of 10.4% to total revenues (2-4). The Xerox narrator claimed that "a weak world economy and increased competition... continued to affect our results" (3-5). The Raychem narrator said that "results continued to be affected by persistent unfavorable economic conditions" (3). TRW's narrator also blamed the economy when writing that "the recession stubbornly persisted and economies worldwide were stagnant" (2-3). Merck earned the highest operating profits of any in the service group of 19.3% and the narrator still blamed the dollar: "The sustained weakening of foreign currencies in relation to the U. S. Dollar...had a significant adverse impact..." (3-5).

"Blamers" are expected in business, especially when trying to explain away poor performance or performance that, while considered good, did not meet forecasts. Eleven companies or 22% of the total examined fall into this category. Certainly the poor economic year 1982 contributed to the high number of "blamers." Perhaps blamers feel that they are more optimistic if external factors are held accountable.

Equivocators. Nine companies were ambiguous in presenting themes in their Letters so they are called equivocators. Their rhetoric showed that they were eager to avoid the responsibility for the year. They seemed to say: "Do not make us tell." Perhaps they "equivocated," or prevaricated, or hedged in order to mislead the reader. Both Pepsico and Ingersoll Rand had low operating profits and felt the year was "disappointing." The Pepsico narrator said the year "was very disappointing" (4-5). Ingersoll-Rand's narrator pointed out that "The results...proved disappointing" (2-3). The reader in these cases was to define what was intended by the word "disappointing." Revlon was more elusive when the narrator wrote that the year "was unusual" (2-3). The General Foods narrator stressed that the year "was significant..." (2-6). The audience must then apply its own meaning to "unusual" and "significant." A 9.8% operating profit over 1981 at Revlon was "unusual," while a smaller 5.0% operating profit at General Foods was "significant." This shows how confusing adjectives in corporate annual reports can be. Digital Equipment's theme was that 1982 "was one of the most challenging and, in many ways, the most

satisfying" (2-3). Its operating profit was 15% of revenues and not necessarily significant in the high tech industry. Avon had mid-range profits in the service segment, but the narrator wanted the reader to focus on other isolated topics, for example: "Our direct-selling system is strong" (4-6). 3M, on the other hand, had only 6.6% operating profits and also reported that "we showed satisfactory results" (2-4). Hewlett Packard showed a 15.7% operating profit, but the narrator reported a "quite satisfactory performance" (2-4).

"Equivocators" are suspect because they appear to be trying to hide things from the audience. If meaning is not clear, it is difficult to understand the discourse. When an audience must attach its own meanings to ambiguous symbols, its members draw a variety of conclusions about the year being reported. Perhaps this was the intention of the narrator. When a company equivocates in the major theme of the letter, the audience should look for other symbols to determine performance. Poor performance is hard to disguise in the financial portions of the annual reports if the audience knows how to read them and takes the time to do it. The Letter to Shareholders was intended to be a candid overview. Narrators who "equivocate" are certainly not candid; but, perhaps by being ambiguous and hiding bad news, the narrative appeared more optimistic.

Futurists. Two of the CEO's signed letters with themes of the future. These narrators seemed to say: "The best is yet to come." Their major themes pointed to the hereafter or what will happen in "future" times. Both Data General and Polaroid had poor operating

profits for the year, but both were looking ahead to better times. Data General, with operating profits of 4.5%, had its narrator relate that: "We invested more in the future of our customers than ever before" (2-3). Polaroid had only 4.0% operating profits but its narrator claimed "We continued to...build the strengths...for the future" (2-7).

Being optimistic about the future is expected of corporations. If we are apprehensive of things to come, we usually feel we are unable to face the future with confidence. Corporation management needs to show its authority with confidence for the future. Most do; but, when Data General and Polaroid emphasized their confidence and optimism, the future became the major theme in their Letters.

Inventers. There were unique Letters which provided rational themes that were different from the usual. Seven narrators seemed to be telling the readers of the annual reports that "you should know about other important things that happened during the year." Since invention has been described as "an investigative undertaking embracing a survey and forecast of the subject and a search for the arguments suitable to the given rhetorical effort" (Thonssen and Baird 79) it applies to all developers of corporate annual reports, not just to the seven in this category. These seven, however, used more "invention" or discovery then the others, so appropriately I view them as "inventors." Inventors differ from equivocators because they have invented major themes rather than disguising a theme with ambiguity.

In several reports the "event" was provided by courts or tragedy so the "invention" was drawn primarily from external circumstances.

Johnson & Johnson had the Tylenol tragedy, so it was understandable when the narrator in its annual report explained that "It was an eventful year!" (2-3) AT&T had been ordered to divest itself of the Bell operating companies. Both of these political themes had little or no reference to their financial or operating performance for the year. Johnson & Johnson did poorly with an 8.2% operating profit while AT&T had a 30.9% operating profit.

There were other "inventors" with unique annual report themes. Wal-Mart, a twenty-year-old discount chain with low operating profits (2.4%), was the only company to concentrate on its employees: "Never before in history has associate involvement, participation, and enthusiasm been greater" (2-3). National Semiconductor might have been classified as a "blamer" but, is considered an "inventor" because of the uniqueness of blaming the press for its problems. "The press has focused on the difficulties of National Semiconductor" (2-3). They made no operating profits! In contrast, two authoritative companies that did well emphasized their dismal outlook, not their successful year. Schlumberger had the highest operating profits (71.4%) of any of the fifty companies examined, but its theme was unique: "The trend [of our business] is more disturbing than the actual results" (2-3). Warner Communications could see the problem on the near horizon for its Atari division. The narrator wrote:

"Management believes earnings in 1983 will be below those of 1982" (4-7).

Even though Maytag's revenues were only $441,000, its operating profits were high in comparison with these revenues: 15.6%. Its narrator used the theme of the success of adding the Jenn-Aire acquisition to the company: "Maytag has moved from being a one-brand company to a family of three quality names" (2-3).

Inventers seem to be better rhetoricians than others because they discover unique ways to make their discourse optimistic. Federal standards dictate the financial data in annual reports. The theme of the Letter is a choice that management makes. Accordingly, those themes that are unique become more attractive (and believable) than other themes and usually more optimistic. AT&T and Johnson & Johnson emphasized operational events. Wall-Mart, which is an embodiment of its CEO, Sam Walton, emphasized its people. Maytag and National Semiconductor had themes important to their results, but they did not emphasize the financial results. Warner And Schulmberger forecast woe; they were "negative futurists" which made them unique, and in these two cases not very optimistic.

Satisfiers. Six major themes in the Letters seemed to fill the desires and expectations of the audience of the annual report. These themes discharged a debt to shareholders because they showed the reader that the company was fulfilling a pledge or forecast from a previous report. The narrators reminded the readers that "we kept our

word," or "our strategy is working." They were "satisfying" the desires and wishes of the shareholders.

IBM's narrator did not state specifically that it was following the stated "plan." The IBM theme and past strategy is well known and therefore accepted:

> The company's continuing investment is advanced technology and efficient production and development facilities, along with investments in marketing and service support to our customers, were key factors (2-4).

IBM had one of the highest operating profits of those studied; 22.2% of its revenues. Procter & Gamble and K Mart also had high operating profits, and were also satisfiers. P&G with 11.6% operating profits stated that "long term growth...is more important than...any single year" (4-9). K Mart posted 16.8% operating profits and the narrator told the reader that "We have seen positive signs from our new strategy" (2-3).

On the other hand, companies with lower ratios of operating profit to total revenues also fell into this category of "satisfiers." Lockheed with 6.0% operating profits, low for its high-tech category, reported with authority that "results...reflect clear progress toward [last year's] objectives" (2-3). The clothes manufacturer, Blue Bell, a low performer in the consumer area (6.2%) also stated its adherence to previously stated goals when the narrator said: "We did not sacrifice long-term goals to produce better short term results" (1-2).

Finally, Gould, with 8.2% operating profits, has been on a long range program to get out of the automotive aftermarket and into new

businesses: "Concentrating on high growth markets is the foundation to our future growth" (2-5).

Americans like pledges, and they also like it when the pledge is fulfilled. They are then "satisfied." One of the most successful models of argument, the Monroe Motivated Sequence, is a psychologically based model that shows a "need" or a problem and then satisfies that need with a solution to the problem (Ehninger 146-148). CEOs realize that to fulfill a pledge has a very high esteem rating in the minds of shareholders. They apparently feel that it is optimistic to believe that success or failure in a particular year on the balance sheet is not as important to many corporate audiences as the adherence to the long range plan for the corporation.

Vaunters. These boasters essentially told their shareholders that "we are good managers," or "we always do well," or both of these messages. In this year of economic problems perhaps it was optimistic for these fifteen companies to "vaunt" their accomplishments. The writer found no common thread of market, industry, total revenues, or even the operating profit ratios. They cannot be considered social because people generally do not care for those that boast. Companies boast in their annual reports. The themes of these fifteen companies or 32% of those examined, "vauntingly" told the audiences of their achievements.

Bristol Myers had high performance in the consumer category; its narrator said "...the company was able to continue its record of growth" (2-4). Cheesbrough-Pond's, successful in 1982 operating

profits and also in the consumer area, pointed out that management has the "ability to maintain consistent profitable growth even under adverse economic conditions" (2-5). Dana's narrator, in the industrial area with poor operating profits of 2.4%, vaunted that its management "continues to excel " (3). General Electric was in the mid-range of its category, but the narrator reported that "GE is financially stronger today than a year ago" (2-3). Marriott, in the service category with 9.7% operating profits, had the narrator state that "strategy and attention to management fundamentals served it well..." (2-3). For service markets, McDonald's reported a very high operating profit of 19.5%. The narrator reminded the annual report readers that "your corporation reported record net income revenue and systemwide sales for the 18th consecutive year..." (3-5)

United Technologies' narrator pointed out that it "had held its own in the face of the roughest economy in decades" (3-4) even though it reported an operating profit of only 5.5%, low in the high-tech category of companies. Wang was high in operating profits in high-tech and the narrator said that "the company again broke all of its previous records for revenues, earnings and new orders." (2-3). Westinghouse did not do well, (5.4%) but the narrator reminded its readers that "Westinghouse achieved higher sales to earnings in 1982 despite the world wide recession" (2-6). Texas Instruments might have been classified in the "satisfier" category, but became too boastful in the theme: "We have made substantial progress on an agenda of key strategies and organization decisions" (2-3). It reported a low 5.0%

operating profit. Dart & Kraft, on the other hand, had 10.0% operating profits, which was high for the consumer category. The narrator stated that "the company is a well-balanced mix of comparatively recession-resistant businesses" (2-4). Emerson Electric's narrator boasted that the year "was the 25th consecutive year of increased net earnings" (2-4). It enjoyed a high for its category of 15.6% operating profits. Rockwell International was mid-way in high technology industries with 8.5% operating profit, but the narrator told shareholders that "our performance during a recessionary period emphasizes the importance of our diversification and sound financial management" (3). Amdahl made zero operating profits for the year, but its narrator claimed that "achievements are the most significant in the history of the company" (2-3). NCR was in the mid range in operating profits but claimed that "continued attention to asset management and cost containment overshadowed the slowed growth of revenues" (2).

This category of boasters is the explanation we would expect in corporate annual reports. We learned that the themes the vaunters used had no relationship with their profits. Some did well and boasted, some did poorly and also boasted; but, all were trying to be optimistic.

Summary. Major themes provide insight into other rhetorical devices used by corporate America in its annual reports. Sixty-six percent of the annual reports had optimistic themes that are generally considered less than candid: vaunters, 32%; equivocators, 12%; and,

blamers, 22%. Therefore, it is understandable that annual reports are considered a form of corporate propaganda. The common opinion is that corporations exaggerate their success and blame others for their problems. Unfortunately, this study confirms that general belief.

But 66% is not 100% since many corporations are careful to select optimistic themes with a message that is not boastful or one that shirks responsibility. Four percent look to the future. They did not blame others for poor performance but rather pointed to better times. Twelve percent fulfilled pledges. Regardless of the one year's good or bad performance, they pointed out that they were on a chosen, planned path and would not be deterred by a particular year. They satisfied their audience. Heightened "invention" or uniqueness served eighteen percent of the narrators of corporate annual reports. Financial performance by these companies was good and bad; but all in this category raised the interest of the audience to other events of the year. Financial statements are for all to read; but, the narrative in these reports provided unique optimistic themes of genuine interest that certainly were more attractive to readers.

The major themes in the Letters revealed positive expectancies created by the language. Readers learned to expect better things in the future, that the excellent management would continue, that this was a different kind of year, or that everything happened as planned.

Comparisons. The thrust of this study is to compare how healthy as well as troubled corporations communicate in their annual reports. There is not enough evidence to make a substantial claim in this

regard. Troubled and healthy companies are individualistic and communicate differently, even when their performance is similar. Table 4 lists each company by market category; by top, middle, and lower third rankings of performance (operating profits); and by major narrative theme.

Table 4

Operating Profits and Narrative Themes

MARKET CATEGORY	OPERATING PROFITS	THEME
High Technology Companies		
Schlumberger	71.4%	Inventer
AT&T	30.9	Inventer
IBM	22.2	Satisfier
Hewlett-Packard	15.7	Equivocator
Emerson Electric	15.6	Vaunter
Digital Equipment	15.0	Equivocator
Wang Laboratories	11.3	Vaunter
NCR	11.1	Vaunter
Xerox	9.6	Blamer
Raychem	9.2	Blamer
General Electric	9.1	Vaunter
Rockwell International	8.5	Vaunter
Gould	8.2	Satisfier
TRW	6.6	Blamer
Lockheed	6.0	Satisfier
United Technologies	5.5	Inventer
Westinghouse	5.4	Vaunter
Texas Instruments	5.0	Vaunter
Data General	4.5	Futurist
Intel	3.3	Blamer
Amdahl	0	Vaunter
National Semiconductor	0	Vaunter
General Industrial Companies		
Minnesota Mining	15.2%	Equivocator
McDermott	8.5	Blamer
Ingersoll Rand	5.9	Equivocator
Dana	3.7	Vaunter
General Motors	1.6	Blamer
Caterpillar	0	Blamer

MARKET CATEGORY	OPERATING PROFITS	THEME
Consumer Goods Companies		
Merck	19.3%	Blamer
Kodak	17.6	Equivocator
Bristol Myers	16.8	Vaunter
Maytag	15.6	Inventer
Chesebrough-Pond's	14.0	Vaunter
Avon	13.1	Equivocator
Warner Commuinications	13.1	Inventer
Procter & Gamble	11.6	Satisfier
Levi Strauss	10.4	Blamer
Revlon	9.8	Equivocator
Johnson & Johnson	8.2	Inventer
Dart & Kraft	7.5	Vaunter
Pepsico	7.1	Equivocator
Blue Bell	6.2	Satisfier
General Foods	5.0	Equivocator
Polaroid	4.0	Futurist
Service Companies		
McDonald's	19.5%	Vaunter
Mariott	9.7	Vaunter
Wal-Mart	6.2	Inventer
K-Mart	2.5	Satisfier
American Airlines	4.2	Blamer
Delta Airlines	0	Blamer

There is no correlation of narrative theme with performance or market category. Blamers, as might be expected, were the poorest performers of General Industrial and Service Companies. But, Blamers also appeared in the middle third of High Technology Companies, as the top performer in the Consumer Goods category, and the second top performer of General Industrial Companies. Other categories of narrative themes, in addition to Blamers, were also inconsistent.

American corporations, healthy and troubled, are not consistent in the way they communicate their performance to their shareholders in the corporate annual report. Perhaps, this is good. Hopefully, specific messages are prepared for specific audiences rather than a composite audience of a market segment or a grouping of companies based on performance.

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